INFLUENCE OF ETHICAL VALUES OF OWNERS-MANAGERS ON ENTERPRISE PERFORMANCE: STAKEHOLDERS VIEWS

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ABSTRACT

This empirical study sought to determine the influence of owner-managers ethical values on enterprise performance. Primary data was collected through a sample frame aided by target population consisting of SME owner-managers from Durban South area. A quantitative approach was employed with statistical tools of factor and regression analyses to assess the null and alternative hypotheses. Through the statistical tools, business ethics influence several positive actions taken by individuals to increase business clientele of enterprises. The study concluded that business ethics impact positively on performance.

Keywords: Ethical Values, SME, Enterprise Performance.

INTRODUCTION

Given the importance of the socio-economic role of SMEs, the influence of the ethical values of SME owners-managers and it is worth examining the impact of the ethical values of SME owners-managers and the performance of their enterprises in the Durban South area of the eThekwini Municipality in KwaZulu-Natal. While some studies (Seda, 2016) have identified access to finance as a major success factor, studies in other countries have also revealed the important role of entrepreneurial ethical values in the success of SMEs (McFarlane, 2013; Khomba & Vermaak, 2012).

Developing the SME sector could facilitate the intensification of current competitive and productivity climate. Thus, promoting eminent surge in income in general as well as at individual levels (Hove et al., 2014). SME sectors are recognized as primary economic growth vehicle across the developed and developing countries (Pushpakumari, 2009). In addition, SMEs are recognised as productive drivers of comprehensive economic growth and development in the Durban South region. According to Khomba & Vermaak (2012), dealing with multicultural environments and informal challenges requires a set of complex relationships for informal financial entrepreneurs to navigate and for modern small business entrepreneurs to overcome challenges. According to Hasana, the ethical problems faced by SMEs are due to multiple relationships between different shareholders and entrepreneurs. Ethical decision-making and maintaining reputable integrity are imperative not only for suppliers, customers and employee relationships, but also for the success and spirit of the entrepreneur's personal pursuits (Kalyar et al., 2013). The growth of Small and Medium Enterprises (SMEs) is an indicator of a revitalized economy and is therefore cannot be downplayed (Katua, 2014; South African Reserve Bank, 2016). In South Africa, SMEs account for 61% of private sector employment and an estimated 52% to 57% of the country's Gross Domestic Product (GDP) (Fatoki, 2015).

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The development of SMEs offers many job opportunities, which can help reduce unemployment and address the human challenges posed by older people (Malefane, 2013; Maye, 2014). As a result of such positive ideas, there is an emerging and rapidly evolving field of academic work, with a strong focus on a commitment to the ethical standards of managers in the SME sector (Badenhorst-Weiss & Cilliers, 2014). Ethics is closely related to faith; therefore, in the modern business world owners-managers need to value the importance of shareholders and realize that they are not focusing on the benefit of profit. According to Pooe et al. (2015), "*SMEs are not just small forms of big business as they contribute positively to the country's economic growth*". This is especially evident in the case of small businesses where maintaining positive cash flow can sometimes be a big challenge. However, there is lack of scientific evidence regarding the influence of ethical values of SMEs' owners-managers on enterprises' performance in Durban South area of the eThekwini Municipality in KwaZulu-Natal, South Africa.

PROBLEM STATEMENT

South Africa faces enormous socio-economic challenges, and many of these challenges are related to high levels of unemployment and other social ills. For example, despite the fact that the country has been facing a rising unemployment trend since 2014 and SMEs have been found to play an important role in curbing this problem, the survival and sustainable growth rates of SMEs have been poor and problematic (May, 2014). Elsewhere in the world, SMEs play an important role in reducing unemployment and poverty, but in South Africa, their survival rates are lower (Pedersen & Gwozdz, 2014). Therefore, the role of SMEs in reducing unemployment has been reduced (Abor & Quarty, 2010). South Africa faces enormous socio-economic challenges, and many of these challenges are related to high levels of unemployment and other social ills. In addition, the official unemployment rate is 27%; However, if employment is sought for people between the ages of 16 and 60, the rate is 40% (Statistics South Africa, 2017).

Unethical activity is considered a standard tool in various countries including South Africa and Zimbabwe, it is therefore paramount for SMEs to be aware of unethical behaviour within corporate entities and at governmental level (Hove et al., 2014). SME owner-managers accept corrupt practices and fraudulent activities as the specific methods (Gartner, 2014; McFarlane, 2013). These according to the study are employed as a quick way to make enough profit even when they are known to be illegal and unethical. Furthermore, SMEs in South Africa are in a crisis in relation to corruption, fraud and other unethical practices. The size of SMEs limits their ability to acquire assets, as well as strengthen their ability to maintain a strategic stance against corruption and fraud in the business environment (Gartner, 2014). In many cases, these unethical activities are considered necessary for survival, while similar actions appear to be greedy if carried out by large corporations (Pedersen & Gwozdz, 2014). In their quest to explore financial viability, employer-managers manage small firms by size; It faces obstacles to the development of these organisations. SMEs compromise their ethical principles when they see financial viability. This situation affects the behaviour and perceptions of employers-managers and exposes them to unethical behaviour. Given the various challenges discussed above, it is worth conducting a study to determine the influence of the quantitative effects of the ethical values of SMEs' owners-managers to their enterprises' performance in the Durban South area of the eThekwini Municipality in KwaZulu-Natal, South Africa (Dalberg, 2011).

RESEARCH AIM AND OBJECTIVES

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This study aimed to examine the influence of ethical values of owners-managers on enterprise performance in the Durban South area of the eThekwini Municipality in KwaZulu-Natal, South Africa. The study is guided by the following was the specific objectives supported by the null and alternative hypotheses.

- To explore the factors that affect ethical values of owners-mangers of SMEs.
- To ascertain the link between business ethics and enterprises' performance of SMEs

RESEARCH HYPOTHESIS

The null and alternative hypotheses were formulated to assess the influence of ethical values of owner managers on enterprises' performance. Testing of the hypotheses were conducted at 5% significant level.

***H_1*:** *All factors have equally affect ethical values of owners-managers of SMEs.*

***H_2*:** *Business ethics negatively impact enterprises' performance of SMEs.*

LITERATURE REVIEW

Organisational ethics, according to Weller (2017), contains the right and wrong principles governing the behaviour of employees. Schwartz & Milligan (2016) called organisational ethics often the study of behaviour within the organisational context that conforms to the principles, rules, and standards of business practices because it is an approved community. Organisational ethics focuses on the productive direction (Johnson & Ronald Buckley, 2015), guiding, and focusing on more participatory value systems on channel, shape, and direct employee behaviour. Organisational ethics, according to Weller (2017), contains the right and wrong principles governing the behaviour of employees. Organisational ethics has a major impact on the behaviour and actions of employees and SME employers-managers. Institutional ethics are called into question if they are inconsistent with the ethical values of the organisation or the generally accepted standards of the organisation (Jones, 2017). Ethics means providing adequate justification for our choice and behaviour when influencing others and justifying our praise or criticism of the behaviour of others.

Hasnah et al. (2015) state that the critical dimensions of business ethics include a focus on what is good and right in a particular economic activity, and during the engagement in a moral analysis and assessment of such an economic activity and practice by the entity as whole. According to Enofe et al. (2015), because enterprises carry economic activity, they source their factors of production from the environment to produce goods and services using internal business processes. Some authors (Cumming et al., 2014; Hasnah et al., 2015; Desiree & Kengne, 2016) argue that while personal ethics exist, a corporation or a business does not have ethics as it is not a human being; a business's responsibility is to abide by the laws and earn profits. Abiodun & Oyeniyi (2011) defined the ethical dimensions of an enterprise in terms of commercial activity on the systematic, organisational and intra-organisational levels, entailed in the study of business ethics.

Ahmed & Hamdan (2015) assert that within a business environment, business ethics play a critical role in examining and governing the decisions, actions, and behaviour of business functions. In agreement, Meier et al. (2015) explained that ethics could be referred to as the set

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of rules that outline right and wrong conduct and that help people to distinguish between fact and belief, decide how such issues are defined, and what moral principles apply to the situation (Belás et al., 2020). All economic transactions should be beneficial to the stakeholders in terms of the quality of goods and services, as well as achieving common good for the organisation (El Gammal et al., 2018). In any economic transaction, it is expected that enterprises emphasise ethical values during their interactions with different stakeholders (El Gammal et al., 2018). Sison & Ferrero (2015) state that entities later exchange the final products with customers and consumers who come from the macro environment. It studies the corporation's actions to judge if an act is morally right or wrong; it also prohibits immoral actions.

Ethical standards are associated with the formulation of a company's culture; it influences employees' working spirit, shows a good image to the public, develop trusts with customers, and benefits potential customers and/or potential business partners (Turyakira, 2018). Du Plessis et al. (2018) assert that there is need for a company to be trusted; this normally leads other companies to select the company as a trading partner; it keeps customers loyal to a brand, and attracts potential customers (Khodr & Ruble, 2013; Eikelenboom & de Jong, 2019; El Gammal et al., 2018). The consequences of businesses that violate ethical reasoning and standards might end up facing the judgment of the law, and/or the criticism of the public. Regardless of the size of the business, a group of people joins hands to run the company and create revenue (Ali et al., 2011; Yarbrough et al., 2011; Rashid et al., 2003). Undoubtedly, people would be more willing to trust a company that is known for its ethical culture. Enterprises that focus more on ethical decision-making enjoy more benefits as compared to their counterparts (Legally, an act is not a criminal act until proven guilty; many businesses abide by the law, however, their actions would not be called ethical. The shareholders, stockholders and even the society where the business operates can be affected by the success or failure of an enterprise. Opines that is wrong to conclude that ethics should not be the primary focus for the management of SMEs. The main difference between business ethics and personal ethics is that in business there is more than one person involved.

Business ethics can be divided into several major parts (Josephson & Lee, 2015) includes: ethics of human resources; ethics of marketing; ethics of sales; ethics of production and ethics of Competition (insider trading). Velentzas et al. (2017) illustrated that unethical human resources could take the form of discrimination in a workplace, based on race, gender, age, or religion. Considering the ethics of sales, Arguedas-Ramírez (2020), argues that in many businesses, the nature of the product being sold could be sensitive. In analysing the tobacco industry, society often portrays the industry in a negative light for causing health problems for smokers. However, the tobacco industry creates significant employment in most developing and developed economies, as it is labour intensive. State the main role of marketing is to inform and persuade customers about the products and services that an enterprise is selling. It is responsibility of any firm to ensure that ethically produced products generate high operating profits from the production process (Brodwin, 2018). Considering ethics of competition (insider trading), competition in business is unavoidable, using the metaphor method of Heise (2017) it could be compared to sport. The competition between businesses is a challenging game where the ultimate goal cannot be achieved by all parties.

According to Andriof et al. (2017) fairness and justice are core issues in the Stakeholder Theory. Kagan (2018) states that, customers are deemed vital to the successful existence of a company, and they constitute the "*lifeblood*" of the business because they form the revenue base. Some businesses, according to Jahn & Bruhl (2018), invested capital to increase the frequency of

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auditing and monitoring mechanisms of their business activities and terminated relationships with factories guilty of committing injustices; this was done in response to legitimate claims. Freeman (2015) states that firms derive benefits by understanding which stakeholders count most under what circumstances, as well as how this "*hierarchy of salience*" can change depending on the relative power of stakeholders, the legitimacy of their claims, and the urgency of their claims on the company.

Greenwood and Freeman (2018) emphasise that it is a requirement for firms to systematically manage the interests of the various stakeholder groups and prioritise competing interests, as these are the tenets of the Stakeholder Theory. According to Jones et al. (2018), the necessary process that serves to inform the firm's decision to favour one group's interests over another in a particular circumstance is defined as grouping by salience. This view is supported by the work of Hwang & Chung (2018), who argue that the Stakeholder Theory gives supremacy to all stakeholders, although there will be times "*one group will benefit at the expense of others*". The customer's interest in the company is not limited to the goods or services that he/she purchases, but it includes the ensuing business relationship that guarantees a reliable source of goods to meet future requirements. According to Windsor (2017), employees contribute to operations by providing the requisite skills and labour to conduct the business of a company. Similarly, the company is dependent on all the stakeholder groups to ensure its viability, and the stakeholders in return have specific expectations of the company.

The Theory holds that a stakeholder's inclination to cooperate or sanction a firm is a function of his/her perception of the fairness or unfairness of the treatment he/she received from the firm (Hayibor, 2017). An implied contract exists between the employee and the company; both parties having specific requirements and expectations of the other (Hicks, 2018). As such, employees have a stake in the company because they rely on it for their livelihood, security, benefits, and job in exchange for their labour (Alzola, 2017). For example, over the past few decades large retailers have come under severe scrutiny for patronizing "*sweatshop*" many factories that violate human rights and disregard established codes of conduct (Visser, 2019). Ethical difficulties can, therefore, be due to varying actions or inactions of outcomes distribution during the distribution processes or interpersonal relations between authorities and the people (Siltaoja, et al., 2017; Tende & Abubakar, 2017). In this instance, the allegations against the firms were of high salience and thus deemed a priority for resolution despite any associated costs (Visser, 2019). Practitioners and researchers have observed that fairness or justice may be distributive, procedural, or intersectional (Lin et al., 2019; Luc, 2018).

According to Sarwoko et al. (2013), firm's performance may be viewed from the level of sales, profit level, rate of return on capital, turnover, and percentage market share. According to Fatoki (2015), measurement of SMEs performance could necessitate the use of return on assets and sales, return on employees, assets growth rates and employees growth numbers. In a recent study by scientists including Ikelenboom and Jong (2019), the measurements of business performance entail economic and non-financial measures. An effective performance measurement system should not simply list KPIs, it should show the relationship between KPIs and how KPIs affect the success of a company (Rompho, 2018).

According to Yazdanfar et al. (2014), qualitative techniques, when used to evaluate performance, utilise ranked or scaled variables (based on individual perceptions), such as knowledge and business experience, the ability to offer quality products and services, the capacity to develop new products and processes, the ability to manage and work in groups, labour productivity, and corporate responsibility to the environment (Rompho, 2018). Because

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most SMEs are controlled and managed by owners, they are against providing detailed accounting data on the firms' performance because this information is regarded as confidential, and/or, at times, there are no proper records of such information (Fatoki, 2014; Fernández & Camacho, 2016).

By contrast, other authors have argued that proactive ethical initiatives have a positive impact on financial performance because ethical behaviours derive from the creation of intangible assets, which are vital to long-term business success (Jones, 1995; Jones & Wicks, 1999). Saeed et al. (2013) in their study on the impact of ethical behaviour on employee performance, using SPSS regression, found that ethical guidance and ethical value have a positive impact on employee performance, which directly impacts on an organisation's growth. Onyeaghala-Obioma and Anele (2014), in their study on adherence to ethics and the performance of business organisations, also used Spearman's Rank Order Correlation and t-Statistic. They found a relationship between the adherence to ethics and the performance of business organisations; this relationship was further found to be significant (Ostermaier & Van Aaken, 2020).

In their study involving 2000 MBA students, Halbert and Ingulli (2003) found that there is a fundamental disparity between wealth maximisation and business ethics. There is evidence that ethical business practices are not a passing fad – consumers are becoming more conscious and aware of the companies that they buy their products from. According to Saeidi et al. (2012), ethics contribute to the performance of a business. Many intellectuals today still believe that if ethics and morality are given an opportunity to enter the business arena, there is the danger of social values dominating business values. Moreover, the growth of a business relies on its sound ethical code of conduct set to guide both its management and employees in their daily activities (Alfaro, 2018). According to this view, business and morality are inter-related and are guided by external factors like the government, the market system, laws, and society.

Some authors (Friedman, 1970; Jensen, 2010; Schwab, 1996; Johnson & Ronald Buckley, 2015) assert that the only social function of a business is to maximise the shareholder value while complying with the rules of the market. According to Adam Smith, business was a distinct entity and did not include ethics and morality. From this, it is easy to draw a correlation between ethics and success in business. However, McMurrian & Matulich (2016) concluded that there is positive correlation between an organisation's ethical behaviour and activities and the organisation's bottom-line results.

It is imperative to the success of companies that owners/managers adopt an ethical mindset, both as individuals and as a company (Collins & Kanashiro 2021). The government and market system are related to business as the rules laid down by the government directly or indirectly affect business and could thus affect existing marketing system. This view emphasised business concerns, such as reducing production costs and optimising labour (West, 2017). These intellectuals also believe that businesses should concentrate on profits, and managers should manage or concentrate on the interests of shareholders. Milton was of view that business should concentrate on the production and distribution of goods and services (Weller, 2017).

Kengne (2016) defined firm performance as referring to a firm's success in the market, whereas Afriyie (2019) defined performance as an SME's ability to achieve a set of acceptable outcomes and actions. Jamal and Bowie, as cited in McMurrian & Matulich, 2016) found that ethics and profits are inversely related. Ogbonna & Ebimobowei (2012) evaluated the effect of ethical accounting standards on the quality of the financial reports of Nigerian banks. Intangibles like good reputation, trust, and commitment are generated through a strong ethical stance

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(Fombrun et al., 2000). In the context of performance measurement, Roach et al. (2016) state that a key performance measure is defined as data collection that is used in the assessment of the enterprise's performance or success.

CONCEPTUALIZING BUSINESS ETHICS

Several scientists described the concepts of business ethics over the years. For instance, a study by Werhan revealed that ethical decision focuses on difficulty issues that attracts individual attention. Besides, add that individuals apply their minds as the means of motivating acts and actions in ethical manner not for the purpose of self-interest. However, add that for ethical reasons, individuals are expected to perform assigned tasks with caution and in line with the fullest ethical standards.

According to the stakeholder's theory, business ethics and performance are very crucial to the overall well-being of the business since people constitute the "*overall lifeblood*" of entities (Kagan, 2018). Based on Dewey's concept, ethic entails the moral values and principles that assist in making business decision. Contributions by employees towards business performance depends largely on skills and labour (Windsor, 2017). Hence, stakeholders concept states that for business success employees stake in the organization is vital for purpose of security and benefits (Alzola, 2017). Business ethics is known as a societal phenomenon. Its focus is on business value creation and effective management. Businesses are founded on customer, shareholders and supplier's relationship. Therefore, for business to be successful and to increase performance, stakeholders' ethical conducts are of paramount significance in the business climate.

RESEARCH AND METHODOLOGY

The study adopted a positivist philosophical approach and applied descriptive cross-sectional research design. The target population constituted 500 active SMEs (with employment volume between 21 and 200 full-time employees) in the Durban South area. According to the Morgan sample size table, developed by Sekaran & Bougie (2014) a sample size of 217 was used was selected through random sampling. Data was collected using a close-ended questionnaire and analysed using SPSS version 26.0. Factor analysis and regression analysis were conducted to establish the factors affecting ethical values and to establish linkages between business ethical values and enterprise performance.

RESULTS AND DISCUSSIONS

Initially, the Principal Component Analysis (PCA) and Principal Axis Factoring (PAF or PFA) were performed on primary data sources through ten questionnaire items. The items were assessed to ascertain high and low factor loadings, and 0.499 was set as the minimum acceptable factor loading (Ramrakhiani, 2017). Based on the "*rule of thumb*" a component should have at least three variables load to the component, with a coefficient value of 0.7, but a coefficient of 0.3 is considered the minimum acceptable (Cole, 2017). The PCA with Varimax Rotation was used to determine the scale construct validity. Two statistical tests were used to evaluate whether the sub-scales were suitable for factor analysis. The first was the Bartlett Test of Sphericity, in which an evaluation was done to determine the subscales were inter-independent. The latter was the Kaiser-Meyer Olkin Measure of Sampling Adequacy (KMO), which examined the sample sufficiency. As can be seen from Table 1 below depicts KMO value of 0.658, which is

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approximately 0.70, indicated that the sample data were suitable for factor analysis (Cole, 2017). The Bartlett's Test (p<0.001) revealed that the correlations coefficients were not zero (Table 1). Hence, both assumptions required for factor analysis were satisfied.

Table 1
KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.658
Bartlett's Test of Sphericity	Approx. Chi-Square	454.317
	Df	45
	Sig.	0.000

A scree plot stated in Figure 1 on the following page illustrates the factor analysis results to be high eigenvalue of the first component (2.979), with diminishing values for components 2 through 10, beyond which the eigenvalues dropped below the required 1.0 value. Figure 1 presents the scree plot of eigenvalues.

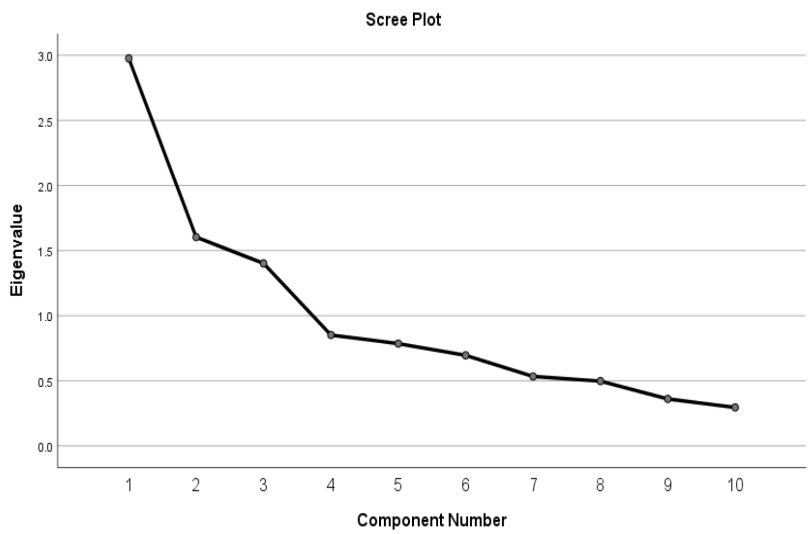

FIGURE 1
CONFIRMATORY FACTOR ANALYSIS: FACTORS AFFECTING ETHICAL VALUES

These results show the unrotated factor loadings for all the factors using the principal components method of extraction. The first three factors had variances (eigenvalues) that were greater than 1. The percentage of variability explained by Factor 1 was 0.29759 or 29.759 %; the percentage of variability explained by Factor 2 was 0.16033 or 16.033%; and the percentage of variability explained by Factor 3 was 0.14016 or 14.016%. The scree plot shows that the first three factors accounted for 59.808% as total variability in data. The remaining factors account for a very small proportion of the variability that was less unimportant. From this, it can be said that the scale had three factors as indicate on below.

A Principal Component Analysis with Varimax Rotation was used to confirm the scale of construct validity. Based on the factor analysis results, the factor loadings as well as the variance explained were depicted. In Table 2 above, three factors with eigenvalues greater than one were identified. The three factors are stated below in Table 2 on the next page.

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Factor 1

- Education of owners-managers, increased manager professionalism, and education
- New social expectation for the role SMEs is to play in society, young adults' attitudes, and consumerism.

Factor 2

- Competition, pace of life, stress to succeed, current economic conditions, costs of doing business, more businesses compete for less.
- Political corruption, loss of confidence in the government, politics, political ethics and business climate.

Factor 3

- Public disclosure, publicity, media coverage, better communication

Table 2
RESULTS OF PCA
Rotated Component Matrix[a]

	Factor		
	1	2	3
Public disclosure, publicity, media coverage, better communication			0.795
Increased public concern, public awareness, consciousness and scrutiny, better informed public, societal pressures			0.554
Government regulation, legislation and intervention, courts	0.628		
Education of owners-managers, increased manager professionalism and education	0.827		
New social expectation for the role SMEs is to play in society, young adults' attitudes, and consumerism	0.784		
SME's greater sense of social responsibility and greater awareness of the implications of their actions, business responsiveness, corporate policy changes, the owner-manager emphasis on ethical action	0.642		
Competition, pace of life, stress to succeed, current economic conditions, costs of doing business, more businesses compete for less		0.836	
Political corruption, loss of confidence in government, politics, political ethics and business climate		0.829	
Greed, desire for gain, worship money as measure of success, selfishness of the individual, lack of personal integrity and moral fibre		0.672	
Pressure for profits from within the organisation, corporate influences on managers, corporate policies			0.689

Therefore, in terms of analysing the factors affecting business ethics, only five factors out ten were very important. On these five factors, the 59.808% variation in business ethics was explained by them and the remaining percentage was explained by the other five factors as shown in the scree plot (Figure 1).

REGRESSION ANALYSIS

Regression analysis mathematically describes the relationship between a set of independent variables and a dependent variable. Linear regression analysis finds the straight-line equation representing the relationships between two numeric variables, the independent variables, and the dependent variable. The regression analysis was employed in this study to ascertain the null hypothesis HO_2. In analysing Table 3 below, the independent variable is Business Ethics (BE), while the dependent variable is enterprise performance (Pe).

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Table 3 REGRESSION EQUATION		
Independent variables	B	Sig.
(Constant)	1.293	.001
BE	0.516	.001

The variables are explained as follows:

β_0 *represents constant*

β_1 denotes the coeffiecient of BE

$$Pe = \beta_0 + \beta_1 BE + \beta_2 LS + \beta_3 OP$$

$$Pe = 1.293 + 0.516 BE$$

EXPLANATION OF REGRESSION EQUATION

H_2: *Business ethics negatively impact enterprises' performance of SMEs.*

The results indicated that BE ($\beta_1 = 0.516$, *p-value* =0.001) was significant and positively influenced the Pe of the SMEs – the reason being that the beta coefficient for BE was positive and the p-value was less than 0.05. Thus, the null hypothesis is rejected in favour of the alternative hypothesis. It is therefore concluded that BE positively influence the Pe of SMEs. Based on the revelations of the hypothesis, one could conclude that owners-managers of SMEs who understands ethical values such as the BE in Durban South area experience higher business performance. This implies that an increase in one unit of BE results in an increase in Pe by 0.516 units. This finding is consistent with recent study by Onyeaghala-Obioma and Anele (2014) in their investigation of adherence to BE and the Pe of organisations. The study revealed that there was a positive relationship between adherence to ethics and the Pe of businesses.

RECOMMENDATIONS

The results of this study indicated that societal expectations of the role SMEs play are positively influenced by the BE of the owners-managers. To accommodate the needs and expectations of various economic players within the community, the authors recommend the establishment of Small Business Community Forum (SBCF) at municipal level. All stakeholders should be included in the forum since the business interests differ. It is recommended that BE education should be introduced, as it creates good ethical citizens (Tafese & Desta, 2014). BE education promotes ethical values and knowledge, and a disposition to affirm both changes in behaviour and the attitude of employees and owners-managers. As mentioned above, BE education also contributes to the creation of good and ethical behaviour among citizens. Hence, it is strongly recommended that extensive BE education and training should be provided through state-funded organisations, such as the DCCI and Seda. The results of the study also indicated that BE significantly influence Pe; therefore, it is recommended that SMEs should appoint a specialist or expert in BE as a Business Ethics Practitioner (BEP). According to Brennan (2013), a BEP should act in an ethical manner; should maintain personal and professional honesty;

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should serve in the best interest of the organisation and clients without malice or personal gain, and that his/her actions are the best judgement of what should be done, based upon the current state of the profession.

FURTHER RESEARCH

The authors suggest further empirical study using large sample size to highlight ethical issues that impact business performance in the tourism and hospitality sectors. The study could be used to improve in general tourism country-wide for opportunities in eThekwini municipal region.

CONCLUSION

Based on the regression equation, BE largely influence Pe in a positive way. Therefore, SMEs' owners-managers that practice BE in any entities perform better than those who do not practice BE. This supported by the rejection of HO_2 that states Business ethics negatively impact enterprises' performance of SMEs.

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